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Locational Decisions and Perceived Risk of U.S. Multinationals in the New Gulf Development States

Principal Investigators: Michael Ewers

American multinational corporations have done business in the Persian Gulf since the oil and construction boom of the 1970s. In recent years, however, the types of companies and their choices of where to locate have evolved.

With the explosion in oil prices since 1998, U.S. firms are increasingly choosing to locate in the smaller countries of the lower Gulf, particularly the United Arab Emirates (UAE). These countries have been using oil windfalls to expand their economies, creating new hubs for global corporations in non-oil sectors.

Michael Ewers' project explores the decisions of U.S. corporations to locate in the Gulf, as well as corporate perceptions of security risks in these countries. The actions and perceptions of American firms in the Gulf can support or disrupt economic security in the region and affect the perceived security of U.S. commercial interests.

With Mershon Center funding, Ewers took a pre-dissertation trip to the UAE to research U.S. multinational corporations in one of the Gulf's most successfully diversified economies. American companies have been drawn to the UAE to capitalize on financial and security incentives in Abu Dhabi and Dubai. Another attraction is the ability to serve markets in the Eastern Mediterranean, South and Central Asia, and East Africa. However, U.S. corporations also perceive a high security risk in the region, counteracting the positive draws.

Ewers discovered a cycle between perceived security risks and corporate responses. When U.S. firms made business decisions, Ewers found that the consequences sometimes coincided with or even created security threats. Resulting



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threats were then perceived by firms, causing corporate decision makers to alter their business strategies.

By conducting interviews in the UAE, Ewers analyzed perceptions of U.S. multinational corporations about security and the decisions that result from these perceptions. Using a database of global companies in the Gulf, Ewers scheduled interviews with corporate representatives and leaders of the UAE business community.

From these interviews, Ewers generated a web-based survey to be distributed in the UAE and possibly other Gulf countries. He found that creating the survey after preliminary interviews was useful because he had uncovered important themes, learned how to take economic and political sensitivities into account, and obtained contacts and references to begin recruiting participants. He also learned the importance of obtaining sponsorship from Gulf Chambers of Commerce.

As a result of his time in the UAE, Ewers refocused his project in specific ways. He broadened the focus his dissertation to examine how Western corporations have affected Gulf economic security and diversification beyond oil. He also expanded his study period to include the past four decades. Ewers realized the need to conceptualize the operations of foreign firms in the Gulf from an evolutionary perspective, rather than as simply a function of current events.

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